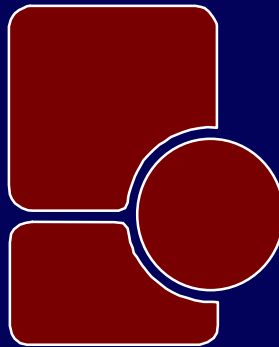


**Joint Legislative Audit and Review Commission
of the Virginia General Assembly**



Fiscal Analysis Section Report

**Staff Briefing
December 11, 2000**

Introduction

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Fiscal Analysis Staff:

Kirk Jonas, Division Chief

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Presentation Outline

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- ☒ Expenditure Forecasting Update
- ☐ Fiscal Note Reviews

Forecast Recap

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- JLARC staff monitor key expenditure forecasts of large general fund programs
 - Item 20D of the 2000 Appropriation Act directs JLARC to conduct oversight of the expenditure forecasting process
 - *Code §32.1-323.1* directs DPB & DMAS to provide the Medicaid forecast to JLARC by November 15
- Four major forecasts were reported in July:
 - Medicaid
 - Elementary & Secondary Education
 - Higher Education
 - State inmates

How Accurate Were 1998-99 Forecasts Used to Prepare FY 2000 Budgets?

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Program Area	Units of Measurement	Accuracy of <i>Initial</i> FY 2000 Forecast	Accuracy of <i>Revised</i> FY 2000 Forecast
Elementary & Secondary Education Enrollment	Average Daily Membership	+0.6%	-0.2%
Higher Education*	Headcount	-0.4%	-0.5%
Medicaid**	Expenditures	-4.2%	-0.1%
State-Responsible Inmate Population	Population	+0.8%	+0.04%

Initial forecasts were completed Fall 1998 and used in 1999 General Assembly. *Revised* forecasts were completed Fall 1999 and used in 2000 General Assembly. Accuracy compares forecasts to actual experience.

*FY 2000 student FTE data is not yet available.

**Includes forecasts for only general Medicaid and mental illness services.

How Have FY 2001 Forecasts Changed?

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Program Area	Units of Measurement	<i>Prior</i> Forecasted Growth Over FY 2000	<i>Current</i> Forecasted Growth Over FY 2000
Elementary & Secondary Education Enrollment	Average Daily Membership	+0.8%	+ 0.9%
Higher Education	Headcount*	+0.6%	+0.2%
	FTEs	+1.0%	+0.7%
Medicaid**	Expenditures	+3.3%	+9.9%
State-Responsible Inmate Population	Population	+1.7%	+ 1.7%

*An early estimate of actual FY 2001 headcount shows headcount increasing by +0.2%.

**Includes only general Medicaid and mental illness services.

Why Have the FY 2001 Forecasts Changed?

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■ Medicaid

- Initiatives of the Governor and General Assembly
 - One-time payments for inpatient hospitals: \$87 million
 - Nursing home reimbursement increases: \$50 million
 - Managed care expansions: \$38 million
- Cost and utilization increases for prescription drugs
- Administrative changes in forecast
 - Now includes mental health community services as well as general Medicaid

■ Elementary & secondary education

- Current elementary and secondary ADM forecast is slightly higher, reflecting greater than expected ADM levels in 2000, and input from local school divisions

Why Have the Forecasts Changed?

(continued)

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■ Higher Education

- Current projections are lower than previously projected levels, reflecting lower headcount estimates at two campuses (Norfolk State University & UVA's College at Wise)

■ State Inmates

- The FY 2001 forecast of State inmates was adjusted down from prior forecast of 32,607 to 32,071 due to:
 - Slightly higher discretionary parole grant rate (6.5% vs. 5.1%)
 - Fewer new admissions from courts
 - More inmates with 12-month sentences than expected (these inmates serve time in jail, not prison)

What Are the Current Forecasts?

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	FY 2001	FY2002
■ DMAS	\$2,760,767,226*	\$2,853,522,916*
■ El. & Sec. Ed.		
● ADM	1,132,758	1,144,536
■ Higher Education		
● Headcount	175,542**	177,633
● FTEs	155,151	156,502
■ State Inmates	32,071	32,589

*Includes mental health and mental retardation community services, and general Medicaid.

**Includes actual enrollments for some institutions, and preliminary estimates for remaining schools.

Next Report on Forecasts

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- Update in summer, 2001

Presentation Outline

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☐ Expenditure Forecasting Update

☒ Fiscal Note Reviews

Fiscal Review Process

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■ Basic procedures:

- Committee chairmen and co-chairmen may request that JLARC staff review the fiscal note on a bill in their committee
- Staff deadline is 5 days from receipt of request or prior to next, or last, committee meeting
- Staff director or deputy director may approve fiscal impact review
- Copy of review is distributed to requestor(s) and chief patron, and then placed on JLARC website

■ JLARC and Joint Rules Committee concurred with these procedures in December 1999

Staff Guidelines

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- JLARC staff either “concur” or “non-concur” with the referred fiscal impact statement
- Staff fiscal reviews focus on:
 - Fiscal impact statement
 - Impact on State, localities, other public entities
 - Current biennium
 - Costs defined in the fiscal impact statement
 - Methodology, assumptions, data used to estimate costs
- JLARC staff fiscal reviews do not comment on:
 - Merits of the bill
 - Constitutional or other legal issues

JLARC Staff Concurrence

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- In 2000 Session, Executive Branch agencies prepared 22 impact statements on the 20 bills reviewed by JLARC staff
- JLARC staff reviews of Executive Branch fiscal impact statements resulted in concurrence on two and non-concurrence on 20

	<u>Concur</u>	<u>Non-Concur</u>	<u>Total</u>
DPB	1	11	12
Taxation	1	8	9
Lottery	<u>0</u>	<u>1</u>	<u>1</u>
Total	2	20	22

Enhancements

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- **Fiscal impact review document revised for easier use**
 - Detailed explanation attached instead of on front page of the review
 - Table of estimated fiscal impact has been clarified
- **Link to LIS system**
 - More executive branch fiscal impact statements will be available from LIS system
 - JLARC request form will be available from LIS system
 - JLARC fiscal impact reviews will be available on-line